# MORMON TRAIL COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

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# MORMON TRAIL COMMUNITY SCHOOL DISTRICT

# Officials

<u>Name</u>	<u>Title</u>	Term <u>Expires</u>
	Board of Education	
Jan Lundahl	President	2013
Amy Horton Brad Funk Pat Evans Jason Peasley	Board Member Board Member Board Member Board Member	2013 2015 2015 2015
	School Officials	
Alan Miller	Superintendent	Indefinite
Linda Lovett	District Secretary/Treasurer and Business Manager	Indefinite

# STEPHANIE MENDENHALL CPA, P.C. 217 Broad Street Humeston, Iowa 50123 641/877-6021

Independent Auditor's Report

To the Board of Education of Mormon Trail Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mormon Trail Community School District, Humeston, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mormon Trail Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with <u>Government Auditing Standards</u>, I have also issued my report dated October 5, 2012 on my consideration of Mormon Trail Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> and should be considered in assessing the results of my audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 9 and 31 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquires, the basis financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Mormon Trail Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS

Mormon Trail Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. I encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$3,141,393 in fiscal year 2011 to \$3,085,035 in fiscal year 2012, while
  General Fund expenditures increased only \$7,741 from \$2,868,619 in fiscal year 2011 to \$2,876,360 in fiscal year
  2012. The District's General Fund balance increased from \$416,712 in fiscal year 2011 to \$625,387 in fiscal year
  2012, a 50% increase.
- General Fund revenues decreased primarily because of decreased federal and state grant revenue. There was an emphasis to not increase spending hence expenditures increased only \$7,741.
- Very low interest rates resulted in interest earnings in the General Fund of only \$922, even with a higher invested balance.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Mormon Trail Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mormon Trail Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Mormon Trail Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental Funds.

### REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- Business type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

1) Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds.

Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Figure A-1 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-1
Condensed Statement of Net Assets
(Expressed in Thousands)

	(Expressed in Thousands)												
		Governmental				Business Type				Total			Total
		Activities				Ac	Activities				Dist	Change	
		Jı	ıne	30,		J	une	30,		J	lune	30,	June 30,
		2012		2011		2012		2011		2012		2011	2011-2012
Current and other assets	\$	2,821	\$	2,789	\$	60	\$	45	\$	2,881	\$	2,789	3.30%
Capital assets		1,839		1,759		20		24		1,859		1,759	5.69%
Total assets		4,660		4,548		80		69		4,740		4,548	4.22%
													_
Long-term liabilities		191		301		-		-		191		301	-36.54%
Other liabilities		1,891		1,945		2		1		1,893		1,945	-2.67%
Total liabilities		2,082		2,246		2		1		2,084		2,246	-7.21%
Net assets:													
Invested in capital													
assets, net of													
related debt		1,563		1,348		20		24		1,583		1,348	17.43%
Restricted		497		621						497		621	-19.97%
Unrestricted		518		333		58		44		577		333	73.27%
2001010		0.0								0.7			. 3.27 70
Total net assets		2,578		2,302		78		68		2,656		2,302	15.38%

The District's combined net assets increased by nearly 15% or approximately \$354,000, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$124,000 over the prior year. The decrease was primarily a result of deficit spending in Capital Projects Fund and Special Revenue Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased approximately \$244,000. This increase in unrestricted net assets was a result of an emphasis to maintaining spending in the General Fund.

Figure A-2 shows the change in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-2
Changes in Net Assets
(Expressed in Thousands)

	Government	tal	Business T	ype	Tota	Total	
	Activities	<b>i</b>	Activities		Distr	Change	
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program revenues:							
Charges for service	\$ 170	259	55	54	225	313	-28.12%
Operating grants,							
contributions and							
restricted interest	631	650	97	82	728	732	-0.55%
Capital grants, contributions							
and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	1,345	1,213	-	-	1,345	1,213	10.88%
Income surtax	120	117	-	-	120	117	2.56%
Local option sales and							
service tax	185	175	-	-	185	175	5.71%
Unrestricted intermediate							
grants	8	-	-		8	-	-
Unrestricted state grants	1,037	1,005	-	-	1,037	1,005	3.18%
Unrestricted investment							
earnings	2	2	-	-	2	2	0.00%
Other	40	66	-	-	40	66	-39.39%
Total revenues	3,538	3,487	152	136	3,690	3,623	1.85%
_							
Program expenses:							
Governmental activities:							
Instruction	2,073	2,063	-	-	2,073	2,063	0.48%
Support services	1,007	990	-	-	1,007	990	1.72%
Non-instructional							
programs	<del>-</del>	-	141	134	141	134	5.22%
Other expenses	181	179	<del>-</del>	-	181	179	1.12%
Total expenses	3,261	3,232	141	134	3,402	3,366	1.07%
Change in net assets	277	255	11	2	288	257	12.06%

In fiscal 2012, property tax and unrestricted state grants accounted for 67% of governmental activities revenue while charges for service and operating grants and contributions accounted for 100% of business type activities revenue.

The District's total revenues were approximately \$3.690 million of which \$3.538 million was for governmental activities and \$152,000 was for business type activities

As shown in Figure A-2 the District as a whole experienced a 1.85% increase in revenues and a 1.07% increase in spending.

## **Governmental Activities**

Revenues for governmental activities were \$3,538,085 and expenses were \$3,451,684 for the year ended June 30, 2012. The District was able to balance the budget because of an emphasis to maintain spending levels.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-3
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

			(Expressed		i iliousaliusj				
	Total	Cost of S	Services	Net Cost of Services					
	Change						Change		
	2012	2011	2011-2012		2012	2011 2	2011-2012		
Instruction	\$ 2,073	2,063	0.48%	\$	1,436	1,325	8.38%		
Support services	1,008	990	1.82%		1,008	935	7.81%		
Non-instruction	-	-	-		-	-	-		
Other expenses	 180	179	0.56%		16	64	-75.00%		
Total	 3,261	3,232	0.90%	_	2,460	2,324	5.85%		

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$169,985.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$631,374.
- The net cost of governmental activities was financed with \$1,649,916 in property and other taxes and \$1,036,607 in unrestricted state grants.

# **Business Type Activities**

Revenues for business type activities during the year ended June 30, 2012 were \$152,108 a 12% increase over the prior year, while expenses totaled \$141,470 a 5% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2012 more students applied and qualified for free and reduced price meals resulting in additional federal and state grants. Also, the District increased meal prices.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Mormon Trail Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,066,644 above last year's ending fund balances of \$980,243. The primary reason for the increase in combined fund balance is due to increased property tax revenues

# **Governmental Fund Highlights**

- The District's General Fund financial position is the result of many factors. Increased property taxes offset a reduction
  in federal grants which resulted in an increase in revenues. There was an emphasis to maintain spending in every
  area.
- The Capital Projects Fund balance decreased from \$524,348 in fiscal year 2011 to \$474,922 in fiscal year 2012. \$145,637 was transferred to Debt Service for bond repayments. In fiscal year 2012, \$43,948 for technology equipment, bus leases of \$50,113 and \$53,065 of facility upgrades were paid from this fund.

# **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$67,269 at June 30, 2011 to \$77,965 at June 30, 2012, representing an increase of approximately 16%.

# **BUDGETARY HIGHLIGHTS**

The District's revenues were \$86,841 more than budgeted revenues. The most significant variance resulted from the District receiving more tuition revenue and other revenue than originally anticipated.

Total expenditures were less than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result the District's certified budget should always exceed actual expenditures for the year.

#### CAPITAL ASSETS AND DEBT ADMINISTRATION

# **Capital Assets**

At June 30, 2012, the District had invested approximately \$1.839 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net increase of 4.26% from last year. More detailed information about the District's capital assets presented in Note 5 to the financial statements. Depreciation expense for the year was \$69,229.

The original cost of the District's capital assets was approximately \$3.763 million. Governmental funds account for approximately \$3.724 million, with the remainder of approximately \$39,000 accounted for in the Proprietary, School Nutrition Fund.

Figure A-4
Capital Assets, Net of Depreciation
(Expressed in Thousands)

	Go	vernmental		Business Type	<b>;</b>	Total		Total
		Activities		Activities		District		Change
		June 30,		June 30,		June 30,		June 30,
		2012	2011	2012	2011	2012	2011	2011-2012
Land	\$	16	16	-	-	16	16	-
Buildings		1,670	1,722	-	-	1,670	1,722	-3.02%
Furniture and equipment		153	21	20	24	173	45	284.44%
Total		1,839	1,759	20	24	1,859	1,783	4.26%

### **Long-Term Debt**

At June 30, 2012, the District had \$275,000 in general obligation debt outstanding. This represents a decrease of approximately 33% from last year. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The Constitution of the State of Iowa limits the amounts of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$3.9 million.

# Figure A-5 Outstanding Long-Term Obligations (Expressed in Thousands)

(Expi	Cooca III Tilououlla	3)
Total		Total
District	Change	
June 30	),	June 30,
2012	2011	2011-2012
\$275,000	410,000	-32.93%

# General obligation bonds

#### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The General Fund property tax revenue will decline approximately \$230,000 due to the District's inability to levy cash reserve at the current rate.
- Open enrollment tuition revenue is expected to decline \$72,000.
- Replacement of a heating system and roof at an estimated cost of \$52,000 has depleted the PPEL Fund balance.
- The District has evaluated the condition of its transportation vehicles and anticipates replacement of a van.
- The District's negotiated settlement with the Education Association resulted in wages and benefit increases for fiscal 2013 exceeding "new money" or allowable growth in state funding resulting in an adverse effect on the General Fund balance.

#### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Lovett, District Secretary/Treasurer and Business Manager, Mormon Trail Community School District, Humeston, Iowa.



# MORMON TRAIL COMMUNITY SCHOOL DISTRICT STATEMENT OF NET ASSETS June 30, 2012

	Governmental	Business Type		
	Activities	Activities	-	Total
Assets				
Cash and pooled investments	\$ 1,283,876	\$ 57,619	\$ 1	1,341,495
Receivables:				
Property tax:				
Delinquent	25,897	-		25,897
Succeeding year	1,259,932	-	1	,259,932
Income surtax succeeding year	116,672	-		116,672
Due from other governments	133,481	-		133,481
Other	1,120	1,453		2,573
Inventories	-	651		651
Capital assets, net of accumulated depreciation	1,839,194	19,839	1	1,859,033
Total assets	4,660,172	79,562	4	1,739,734
Liabilities				
Accounts payable	137,424	274		137,698
Salaries and benefits payable	239,521	-		239,521
Accrued interest payable	1,170	-		1,170
Deferred revenue:				
Succeeding year property tax	1,259,932	-	1	,259,932
Succeeding year income surtax	116,672	-		116,672
Other	785	1,322		2,107
Long-term liabilities (note 6)				
Portion due within one year:				
Bonds payable	135,000	-		135,000
Portion due after one year:				
Bonds payable	140,000	-		140,000
Net OPEB liability	51,000	-		51,000
Total liabilities	2,081,504	1,596	2	2,083,100
Net assets				
Invested in capital assets, net of related debt	1,563,024	19,839	1	,582,863
Restricted for:				
Categorical funding	55,563	-		55,563
Debt service	3,750	-		3,750
Management levy purposes	32,484	-		32,484
School activities	60,479	-		60,479
Physical plant and equipment levy	41,364	-		41,364
School infrastructure	303,180	<b>-</b>		303,180
Unrestricted	518,824	58,126		576,950
Total net assets	2,578,668	77,965	2	2,656,633

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT STATEMENT OF ACTIVITIES Year Ended June 30, 2012

				Program Revenues	
	_ <b>E</b> v	penses	harges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
:tions/Programs					
ernmental activities:					
Instruction:					
Regular instruction	\$	1,338,035	\$ 150,779	\$ 196,218	\$ -
Special instruction		349,498	19,206	198,125	-
Other instruction	- <u></u>	385,601		72,618	-
		2,073,134	169,985	466,961	
Support Service:					
Student		25,872	-	-	-
Instruction		162,386	=	-	-
Administration		329,444	=	-	-
Plant operations		315,522	=	-	-
Transportation		174,422	-	-	
		1,007,646	-	-	<del>-</del>
Non-instructional programs		-	-	-	
Other expenditures:					
Facilities acquisition		71,100	-	64,540	-
Long-term debt interest		9,547	-	-	-
AEA flow through		99,873	-	99,873	-
		180,520	-	164,413	
Total governmental activities		3,261,300	169,985	631,374	-
ness type activities:					
Non-instructional programs:					
Food service operations		141,470	55,499	96,609	-
		141,470	55,499	96,609	-
Total		3,402,770	225,484	727,983	

Net (Expense) Revenue and Changes in Net Assets								
Governmental	Business type							
Activities	Activities		Total					
			_					
\$ (991,038)	\$ -	\$	(991,038)					
(132,167)	-		(132,167)					
(312,983)	-		(312,983)					
(1,436,188)	-		(1,436,188)					
(25,872)	-		(25,872)					
(162,386)	-		(162,386)					
(329,444)	-		(329,444)					
(315,522)	-		(315,522)					
(174,422)	-		(174,422)					
(1,007,646)	-		(1,007,646)					
-	-		-					
(6,560)	-		(6,560)					
(9,547)	-		(9,547)					
-	-		-					
(16,107)	-		(16,107)					
(2,459,941)	-		(2,459,941)					
-	10,638		10,638					
-	10,638		10,638					
(0.1=0.0:::	40.00=		(0.410.005)					
(2,459,941)	10,638		(2,449,303)					

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT STATEMENT OF ACTIVITIES Year Ended June 30, 2012

			Droar	om Povonuos		_
			Progr	am Revenues		_
	 Expenses	narges for Service	Cont	rating Grants, ributions and ricted Interest	Capital Grants Contributions and Restricted Interest	
Continued from previous page						
General Revenues:						
Totals from pages 11 and 12	\$ 3,402,770	\$ 225,484	\$	727,983	\$	
Property tax levied for:						
General purposes						
Capital outlay						
Income surtax						
Statewide sales and services tax						
Unrestricted intermediate grants						
Unrestricted state grants						
Unrestricted investment earnings						
Other						
Total general revenues						•
Change in net assets						
Net assets beginning of year						-
Net assets end of year						

# Net (Expense) Revenue and Changes in Net Assets

C	Sovernmental	Business type	
	Activities	Activities	Total
\$	(2,459,941)	\$ 10,638	\$ (2,449,303)
	1,266,810	-	1,266,810
	78,056	-	78,056
	120,325	-	120,325
	184,725	-	184,725
	8,453	-	8,453
	1,036,607	-	1,036,607
	1,640	58	1,698
	40,110	-	40,110
<u> </u>	2,736,726	58	2,736,784
	276,785	10,696	287,481
	2,301,901	67,269	2,369,170
	2,578,668	77,965	2,656,633

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2012

		Debt	Capital		_
	General	Service	Projects	Nonmajor	Total
Assets					
Cash and pooled investments Receivables:	\$ 899,931	\$ 3,745	\$ 274,233	\$ 105,967	\$ 1,283,876
Property tax:	00.407	_	4 407	000	05.007
Current year delinquent	23,427	5	1,497	968	25,897
Succeeding year	948,523	135,000	76,409	100,000	1,259,932
Income surtax succeeding year	116,672	-	-	-	116,672
Other	750	-	-	370	1,120
Due from other funds	-	-		-	-
Due from other governments	63,104	-	70,377	<u>-</u>	133,481
Total assets	2,052,407	 138,750	422,516	207,305	2,820,978
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	135,513	-	1,563	348	137,424
Salaries and benefits payable	225,527	-	-	13,994	239,521
Due to other funds	-		-	-	-
Deferred revenue:					
Succeeding year property tax	948,523	135,000	76,409	100,000	1,259,932
Succeeding year income surtax	116,672	-	-	-	116,672
Other	785		_		785
Total liabilities	1,427,020	135,000	77,972	114,342	1,754,334
Fund balances:					
Restricted for:					
Debt service	-	3,750	-	-	3,750
Categorical funding	55,563	, -	-		55,563
Management levy purposes	-	-	_	32,484	32,484
Student activities	-	-	_	60,479	60,479
PPEL	-	-	41,364	-	41,364
School infrastructure	-	-	303,180	-	303,180
Unassigned	569,824	-	-	-	569,824
Total fund balances	625,387	3,750	344,544	92,963	1,066,644
Total liabilities and fund	<u> </u>			•	
balances	2,052,407	138,750	422,516	207,305	2,820,978
		•	· · · · · · · · · · · · · · · · · · ·	•	<u> </u>

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS June 30, 2012

Total fund balances of governmental funds (pg. 15)	\$ 1,066,644
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,839,194
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,170)
Long-term liabilities, including bonds payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	 (326,000)
Net assets of governmental activities (pg. 10)	\$ 2,578,668

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES **GOVERNMENTAL FUNDS**

Year Ended June 30, 2012

			Debt		Capital		
	 General		Service		Projects	Nonmajor	Total
Revenues:							
Local sources:		_		_			
Local tax	\$ 1,337,234	\$	272	\$	262,509	\$ 49,901	\$ 1,649,916
Tuition	169,985		-		-	75.044	169,985
Other	38,540		-		63,660	75,241	177,441
Intermediate	8,453		-		-	-	8,453
State sources	1,332,698		-		-	-	1,332,698
Federal sources	 198,125		- 070		1,467	405.440	199,592
Total revenues	 3,085,035		272		327,636	125,142	3,538,085
Expenditures:							
Current:							
Instruction:							
Regular	1,302,281		_		_	_	1,302,281
Special	336,288		_		_	13,210	349,498
Other	315,711		_		_	69,890	385,601
	1,954,280		-		-	83,100	2,037,380
Support services:	05.070						05.070
Student	25,872		-		40.000	-	25,872
Instruction	150,356		-		12,030	47.004	162,386
Administration	297,337		-		14,773	17,334	329,444
Plant operations	225,382		-		17,769	16,876	260,027
Transportation	 123,260 822,207		<u>-</u>		48,182 92,754	34,210	171,442 949,171
	 022,201				92,734	34,210	949,171
Non-instructional programs	 					-	
Other expenditures:							
Facilities acquisition	-				220,308	-	220,308
Long-term debt:							
Principal	-		135,000		-	-	135,000
Interest and fiscal charges	-		9,952		-	-	9,952
AEA flowthrough	99,873		-		-	-	99,873
	99,873		144,952		220,308	-	465,133
Total expenditures	2,876,360		144,952		313,062	117,310	3,451,684
Evene (deficience) of management							
Excess (deficiency) of revenues over	200 675		(1.4.4.600)		11 574	7 000	00 404
(under) expenditures	 208,675		(144,680)		14,574	7,832	86,401
Other financing sources:							
Interfund transfers	-		144,952		(144,952)	-	-
Net change in fund balances	208,675		272		(130,378)	7,832	86,401
rect origings in fund balances	200,073		212		(130,370)	1,002	00,401
Fund balances beginning of year	 416,712		3,478		474,922	85,131	980,243
Fund balances end of year	 625,387		3,750		344,544	92,963	1,066,644
	 		18				

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2012

Net change in fund balances - total governmental funds (pg. 17) \$86,401

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays149,208Depreciation(69,229)

79,979

Proceeds from issuing long-term liabilities provide current financial resources, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued - Repaid 135,000

135,000

Interest on long-term debt in the Statement of Activities differs from the amount reported because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

405

Other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.

(25,000)

Change in net assets of governmental activities (pg. 14)

\$ 276,785

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT STATEMENT OF NET ASSETS PROPRIETARY FUND June 30, 2012

	School Nutrition	
Assets		
Cash and cash equivalents	\$	57,619
Receivable		1,453
Inventories		651
Capital assets, net of accumulated depreciation		19,839
Total assets		79,562
Liabilities		
Accounts payable		274
Deferred revenue		1,322
Total liabilities		1,596
Net Assets		
Invested in capital assets, net of related debt		19,839
Unrestricted		58,126
Total net assets	\$	77,965

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUND

Year Ended June 30, 2012

	School Nutrition
Operating revenues:	
Local sources	
Charges for service	\$ 55,499
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	54,489
Benefits	8,378
Purchased services	10,093
Supplies	63,335
Other	1,552
Depreciation	3,623
Total operating expenses	141,470
Operating loss	(85,971)
Non-operating revenues:	
State sources	1,483
Federal sources	95,126
Local sources	58
Total non-operating revenues	96,667
Changes in net assets	10,696
Net assets beginning of year	67,269
Net assets end of year	\$ 77,965

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT STATEMENT OF CASH FLOWS PROPRIETARY FUND

Year Ended June 30, 2012

	School Nutrition
Cash flows from operating activities: Cash received from sale of meals Cash payments to employees for services Cash payments to suppliers for goods or services Net cash used by operating activities	\$ 53,748 (62,867) (66,199) (75,318)
Cash flows from non-capital financing activities: State grants received Federal grants received Net cash provided by non-capital financing activities	1,483 86,540 88,023
Cash flows from capital and related financing activities: Acquisition of capital assets	<u>-</u> _
Cash flows from investing activities: Interest on investments	58_
Net increase in cash and cash equivalents	12,763
Cash and cash equivalents at beginning of year	44,856
Cash and cash equivalents at end of year	57,619
Reconciliation of operating loss to net cash used by operating activities:  Operating loss  Adjustments to reconcile operating loss to	(85,971)
net cash provided (used) by operating activities:  Commodities used  Depreciation Increase in receivables Increase in inventory Increase in accounts payable Decrease in deferred revenue Net cash used by operating activities	8,586 3,623 (1,453) (80) 274 (297) \$ (75,318)

# Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received federal commodities valued at \$8,586.

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT Notes to Financial Statements June 30, 2012

# (1) Summary of Significant Accounting Policies

Mormon Trail Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Derby, Garden Grove, Humeston and LeRoy, Iowa, and the predominate agricultural territory in Wayne, Decatur, Lucas and Clarke Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

# A. Reporting Entity

For financial reporting purposes, Mormon Trail Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

<u>Jointly Governed Organization</u> – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wayne County Assessor's Conference Board.

#### B. Basis of Presentation

<u>Government-wide Financial Statements</u> – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvements of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

<u>Fund Financial Statements</u> – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital assets.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

# C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinion and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the accrual basis.

# D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

<u>Cash, Pooled Investments and Cash Equivalents</u> – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the lowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

<u>Property Tax Receivable</u> – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking, is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½ % per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

<u>Due from Other Governments</u> – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

<u>Inventories</u> – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

<u>Capital Assets</u> – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$5,000
Buildings	5,000
Improvement other than buildings	5,000
Furniture and equipment:	•
School Nutrition Fund equipment	1,000
Other furniture and equipment	5,000
Caron ramitare and equipment	0,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Accet Class	Estimated Useful Lives
Asset Class	(In Years)
Buildings	20-50 years
Improvements other than buildings	20-40 years
Furniture and equipment	5-20 years

<u>Salaries and Benefits Payable</u> – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

<u>Deferred Revenue</u> – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

<u>Compensated Absences</u> – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

<u>Long-term liabilities</u> – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

<u>Restricted</u> – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

<u>Committed</u> – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

<u>Restricted Net Assets</u> – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

# E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012 expenditures exceeded the amount budgeted in the non-instruction function.

# (2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investments trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Governmental Obligations Portfolio which are valued at an amortized cost of \$270,131 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

#### (3) Interfund Transfers

The detail for interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$144,952

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

# (4) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance beginning			Balance end of
	of year	Increases	Decreases	year
Governmental activities:	•			
Capital assets not being depreciated:				
Land	\$ 16,220	-	-	16,220
Total capital assets not being depreciated	16,220	-	-	16,220
Capital assets being depreciated:				
Buildings	2,770,260	2,970	-	2,773,230
Improvements other than buildings	-	-	-	-
Furniture and equipment	788,315	146,238		934,553
Total capital assets being depreciated	3,558,575	149,208	-	3,707,783
Less accumulated depreciation for:				
Buildings	1,047,931	55,495	-	1,103,426
Improvements other than buildings	-		-	-
Furniture and equipment	767,649	13,734		781,383
Total accumulated depreciation	1,815,580	69,229	-	1,884,809
Total capital assets being depreciated, net	1,680,078	79,979	-	1,822,974
Governmental activities capital assets, net	1,696,298	79,979	-	1,839,194
Business type activities:				
Furniture and equipment	69,827		30,485	39,342
Less accumulated depreciation	(46,366)	3,622	(23,241)	(19,503)
Less accumulated depreciation	(40,300)	5,022	(20,241)	(10,000)
Business type activities capital assets, net	23,461	3,622	7,244	19,839
Depreciation expense was charged to the following fun	ctions:			
Instruction:				
Regular				10,754
Support services:				
Operation and maintenance				55,495
Transportation				2,980
Total depreciation expense - governmental activities				69,229
Business type activities:				
Food service operations				\$ 3,622
A CONTINUE OF CONTINUE				- 0,022

# (5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	-	Balance			Balance	Due
	В	eginning			End of	Within
		of Year	Additions	Reductions	Year	One Year
General obligation bonds	\$	410,000	-	135,000	275,000	135,000

# General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

	Bond Issue of November 1, 2009							
Year								
Ending	Interest							
June 30,	Rates	Principal	Interest	Total				
2013	2.35%	135,000	7,022	142,022				
2014	2.75%	140,000	3,850	143,850				
Total	-	275,000	10,872	285,872				

# (6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement Systems (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$195,997, \$169,716 and \$161,265, respectively, equal to the required contributions for each year.

# (7) Other Postemployment Benefits (OPEB)

<u>Plan Description</u> – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 31 active and 2 retired member in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

<u>Funding Policy</u> – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 48,000
Interest on Net OPEB obligation	-
Adjustment to annual required contribution	(23,000)
Annual OPEB cost	25,000
Contributions made	<u>-</u>
Increase in net OPEB obligation	25,000
Net OPEB obligation beginning of year	26,000
Net OPEB obligation end of year	<u>51,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$178,614 to the medical plan. Plan members eligible for benefits contributed \$30,194, or 15% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year		Percentage of	Net		
Ended	Annual	Annual OPEB			
June 30,	OPEB Cost	Cost Contributed	Obligation		
2010	\$ 6,000	\$ -	\$ 6,000		
2011	20,000	-	26,000		
2012	25,000	-	51,000		

<u>Funded Status and Funding Progress</u> – As of July 1, 2009 the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$280,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$280,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,048,000 and the ratio of the UAAL to covered payroll was 27%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as June 30, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

Projected claim costs of the medical plan are \$520 per month for retirees less than age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

# (8) Risk Management

Mormon Trail Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

# (9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$99,873 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash financial statements.

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

# AND PROPRIETARY FUND

# REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2012

	Governmental			Proprietary								Final to
		Funds		Fund		Total	Budgeted Am		Amour	nt	Actual	
		Actual		Actual		Actual		Original	Final		,	Variance
Revenues:												
Local sources	\$	1,997,342	\$	55,557	\$	2,052,899	\$	1,782,826	\$	-	\$	270,073
Intermediate sources		8,453				8,453		30,000		-		(21,547)
State sources		1,332,698		1,483		1,334,181		1,555,584		-		(221,403)
Federal sources		199,592		95,126		294,718		235,000		-		59,718
Total revenues		3,538,085		152,166		3,690,251		3,603,410		-		86,841
Expenditures:												
Instruction		2,037,380		-		2,037,380		2,151,843		-		114,463
Support services		949,171		-		949,171		1,001,242		-		52,071
Non-instructional programs		-		141,470		141,470		86,913		-		(54,557)
Other expenditures		465,133		-		465,133		612,911		-		147,778
Total expenditures		3,451,684		141,470		3,593,154		3,852,909		-		259,755
Excess (deficiency) of revenues over												
(under) expenditures		86,401		10,696		97,097		(249,499)		-		346,596
Other financing sources						-						
Excess (deficiency) of revenues and other financing sources over												
(under) expenditures		86,401		10,696		97,097		(249,499)		-		346,596
Balances beginning of year		980,243		67,269		1,047,512		581,371		-		1,047,512
Balances end of year		1,066,644		77,965		1,144,609		331,872		-		1,394,108

See accompanying independent auditor's report.

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT Notes to Required Supplementary Information – Budgetary Reporting Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of lowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures in the non-instruction function exceeded the amount budgeted.

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN (IN THOUSANDS) REQUIRED SUPPLEMENTARY INFORMATION

			Actuarial				UUAL as a
Year	Actuarial	Actuarial	Accrued	Unfunded			Percentage
Ended	Valuation	Value of	Liability	AAL	Funded	Covered	of Covered
June 30,	Date	Assets	(AAL)	(UAAL)	Ratio	Payroll	Payroll
2010	July 1, 2009	-	\$ 280,000	\$280,000	0.0%	\$ 1,108,074	25.26%
2011	July 1, 2009	-	\$ 280,000	\$280,000	0.0%	\$ 1,159,495	24.15%
2012	July 1, 2009	-	\$ 280,000	\$280,000	0.0%	\$ 1,047,775	26.72%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS June 30, 2012

	Special Revenue					
	Mar	nagement		Student		
		Levy		Activity		Total
Assets						
Cash and pooled investments	\$	45,510	\$	60,457	\$	105,967
Receivables:						
Property tax:						
Current year delinquent		968		-		968
Succeeding year		100,000		-		100,000
Other		-		370		370
Total assets		146,478		60,827		207,305
Liabilities and Fund Balances						
Liabilities:						
Accounts payable		-		348		348
Salaries and benefits payable		13,994		-		13,994
Deferred revenue:						
Succeeding year property tax	-	100,000		-		100,000
Total liabilities		113,994		348		114,342
Fund Balances:						
Restricted for:						
Management levy purposes		32,484		-		32,484
Student activities				60,479		60,479
Total fund balances		32,484		60,479		92,963
Total liabilities and fund balances		146,478		60,827		207,305

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS June 30, 2012

	Special Revenue				
	Managem	ent	Student		
	Levy		Activity		Total
Revenues:					
Local sources:					
Local tax	\$ 49,9	01	\$ -	\$	49,901
Other	2,4	91	72,750		75,241
Total revenues	52,3	92	72,750		125,142
Expenditures:					
Current					
Instruction:					
Special	13,2	210	-		13,210
Other		-	69,890		69,890
Support services:					
Administrative support	17,3	34	-		17,334
Plant operation	16,8	376	-		16,876
Total expenditures	47,4	20	69,890		117,310
Excess of revenues over expenditures	4,9	72	2,860		7,832
Fund balance beginning of year	27,5	12	57,619		85,131
Fund balance end of year	32,4	84	60,479		92,963

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT COMBINING BALANCE SHEET CAPITAL PROJECT ACCOUNTS Year Ended June 30, 2012

	Capital Projects						
				Physical			
	Sta	Statewide		Plant and			
	Sales, Services and Use Tax		E	Equipment			
				Levy	Total		
Assets							
Cash and pooled investments	\$	232,803	\$	41,430	274,233		
Receivables:							
Property tax:							
Delinquent		-		1,497	1,497		
Succeeding year		-		76,409	76,409		
Due from other governments		70,377		-	70,377		
Total Assets		303,180		119,336	422,516		
Liabilities and Fund Balances							
Liabilities:							
Accounts payable		_		1,563	1,563		
Due to other funds		_		-	-,000		
Deferred revenue:							
Succeeding year property tax		_		76,409	76,409		
Total liabilities		-		77,972	77,972		
Fund Balances:							
Restricted for:							
School infrastructure		303,180		_	303,180		
Physical plant and equipment levy		-		41,364	41,364		
Total fund balances		303,180		41,364	344,544		
Total liabilities and fund							
balances		303,180		119,336	422,516		

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES CAPITAL PROJECT ACCOUNTS

Year Ended June 30, 2012

	Capital Projects						
	Statewide Sales, Services and Use Tax			Physical Plant and Equipment Lewy	Total		
Revenues:	and	ooo rax		2019	Total		
Local sources:							
Local tax	\$	184,725	\$	77,784 \$	262,509		
Other		24,332		39,328	63,660		
Federal sources		-		1,467	1,467		
Total revenues		209,057		118,579	327,636		
Expenditures:							
Instruction:							
Support services:							
Student		-		12,030	12,030		
Administrative		-		14,773	14,773		
Plant operation		-		17,769	17,769		
Transportation		-		48,182	48,182		
Other expenditures:							
Facilities acquisition		178,144		42,164	220,308		
Total expenditures		178,144		134,918	313,062		
Excess (deficiency) of revenue over							
(under) expenditures		30,913		(16,339)	14,574		
Other financing uses							
Operating transfer out		(144,952)		-	(144,952)		
Total other financing uses		(144,952)		-	(144,952)		
Excess (deficiency) of revenues over							
expenditures and other financial uses		(114,039)		(16,339)	(130,378)		
Fund balances beginning of year		417,219		57,703	474,922		
Fund balances end of year		303,180		41,364	344,544		

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS Year Ended June 30, 2012

		Balance Beginning	Revenues and Interfund				Balance End
Account		Of Year	Transfers		Expenditures		of Year
Athletics	\$	11,841	\$ 18,217	\$	22,211	\$	7,847
Activities Club	•	1,941	-	•	-	•	1,941
Drama/Play		3,949	1,225		1,494		3,680
Cheerleaders		324	-		-		324
FCCLA		1,242	8,905		9,983		164
FFA		405	1,851		304		1,952
JR/SR Incentive		19,113	4,306		3,661		19,758
Elementary Activities		7,394	18,876		13,092		13,178
Class of 2010		266	-		-		266
Class of 2011		651	-		112		539
Class of 2012		4,008	425		4,050		383
Class of 2013		4,555	7,055		7,451		4,159
Class of 2014		1,817	7,007		5,366		3,458
Class of 2015		-	4,883		2,166		2,717
Class of 2016		113	-		-		113
Totals		57,619	72,750		69,890		60,479

# MORMON TRAIL COMMUNITY SCHOOL DISTRICT SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION ALL GOVERNMENTAL FUNDS FOR THE LAST TEN YEARS

				Modified Accrual Basis				
		2012		2011		2010		2009
Revenues:								
Local sources:								
Local tax	\$	1,649,916	\$	1,505,885	\$	1,332,550	\$	1,271,955
Tuition		169,985		177,944		55,858		39,173
Other		177,441		149,089		106,105		132,556
Intermediate sources		8,453		30,621		32,787		33,732
State sources		1,332,698		1,348,954		1,387,046		1,494,200
Federal sources		199,592		274,908		286,210		179,357
Total		3,538,085		3,487,401		3,200,556		3,150,973
Expenditures:								
Instruction:								
Regular		1,302,281		1,205,125		1,109,628		1,152,300
Special		349,498		400,547		467,555		491,219
Other		385,601		454,615		443,882		465,766
Support services:								
Student		25,872		78,470		74,425		81,412
Instructional staff		162,386		143,602		124,648		182,662
Administration		329,444		272,075		277,997		268,503
Operation and maintenance of								
plant		260,027		243,753		215,066		272,919
Transportation		171,442		172,255		166,400		183,269
Central support		-		-		-		-
Non-instructional programs		-		-		-		-
Other expenditures:								
Facilities acquisition		220,308		53,065		147,771		82,989
Long-term debt:								
Principal		135,000		135,000		799,267		133,300
Interest and other charges		9,952		11,525		23,399		36,532
AEA flowthrough		99,873		114,933		116,706		105,371
Total		3,451,684		3,284,965		3,966,744		3,456,242

2008	2007	2006	2005	2004	2003
\$1,245,963	\$ 1,241,798	\$1,242,170	\$1,242,170	\$ 1,151,258	\$ 1,189,214
56,670	70,019	50,896	50,896	58,020	85,818
175,949	184,842	146,636	146,636	137,231	128,204
22,931	26,421	68,382	68,382	92,639	62,147
1,656,170	1,464,411	1,533,905	1,533,905	1,332,111	1,280,173
114,103	172,366	160,886	160,886	152,784	151,981
3,271,786	3,159,857	3,202,875	3,202,875	2,924,043	2,897,537
3,271,760	3,139,637	3,202,673	3,202,673	2,924,043	2,091,531
1,205,503	1,105,545	1,150,088	1,150,088	1,138,634	1,110,084
488,687	389,476	460,637	460,637	401,718	383,664
238,906	360,899	174,357	174,357	234,833	220,908
70 572	141,933	146,071	146,071	134,518	132,075
79,573 138,762	141,933	58,777	58,777	71,798	83,543
315,970	252,910	280,664	280,664	339,907	302,009
313,370	232,910	200,004	200,004	339,907	302,009
274,443	235,696	212,266	212,266	254,451	176,355
208,698	248,492	179,478	179,478	167,915	160,288
-	-	-	-	-	32,982
1,863	-	653	653	-	-
-	-	2,260	2,260	-	26,264
115,000	105,000	100,000	100,000	85,000	80,000
39,130	48,482	52,783	52,783	74,724	80,192
103,270	92,955	94,462	94,462	89,860	94,660
3,209,805	3,094,878	2,912,496	2,912,496	2,993,358	2,883,024

#### Stephanie Mendenhall CPA, P.C. 217 Broad Street Humeston, Iowa 50123 641/877-6021

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of Mormon Trail Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Mormon Trail Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated October 5, 2012, I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing</u> Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Mormon Trail Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Mormon Trail Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Mormon Trail Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 and to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-12 to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mormon Trail Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under <u>Government Auditing Standards</u>. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mormon Trail Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the District's responses, I did not audit Mormon Trail Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mormon Trail Community School District and other parties to whom Mormon Trail Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Mormon Trail Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

#### MORMON TRAIL COMMUNITY SCHOOL DISTRICT Schedule of Findings and Questioned Costs Year ended June 30, 2012

#### Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

#### Part II: Findings Related to the Financial Statements:

#### INTERNAL CONTROL DEFICIENCIES:

II-A-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

<u>Recommendation</u> – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

II-B-12 Purchase Order – Purchase orders were not prepared for the purchase of some items paid for from PPEL Fund.

<u>Recommendation</u> – Purchase orders help to insure that there is proper authorization for the purchase and the quantity and prices stated in the purchase order is what is reflected in the billing invoice. Discussion of potential purchases with the Board is not authorization.

Response – Purchase orders will be prepared as needed in the future.

Conclusion - Response accepted.

#### **INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

#### Part III: Findings and Questioned Costs for Federal Awards:

Not applicable since less than \$500,000 in federal awards.

#### Part IV: Other Findings Related to Statutory Reporting:

IV-A-12 <u>Certified Budget</u> – Expenditures for the year ended June 30, 2012 exceeded the certified budget in non-instruction function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of lowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

- IV-B-12 <u>Questionable Expenditures</u> No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-12 <u>Travel Expense</u> No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-12 <u>Business Transactions</u> No business transactions between the District and District officials or employees were noted.
- IV-E-12 <u>Bond Coverage</u> Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-12 Board Minutes I noted no transactions requiring Board approval which had not been approved by the Board.
- IV-G-12 <u>Certified Enrollment</u> No variances in the basic enrollment data certified to the Iowa Department of Education were noted. But the District did fail to bill for open enrollment tuition for one student.

Recommendation – The District should have procedures in place to ensure that tuition is properly billed.

Response – This was an isolated instance. An adjoining school district dissolved and it was an issue of determining the residency of the student.

Conclusion - Response accepted.

- IV-H-12 <u>Supplementary Weighting</u> No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-12 <u>Deposits and Investments</u> No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-12 <u>Certified Annual Report</u> The Certified Annual Report will be filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.
- IV-K-12 <u>Categorical Funding</u> No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-12 <u>Statewide Sales and Services Tax</u> No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$417,219
Revenues		
Sales tax revenues	184,725	
Other local revenues	24,332	209,057
Expenditures/transfers out		
Facilities acquisition Transfers to:	178,144	
Debt service fund	<u>144,952</u>	323,096
		000.400
		<u>303,180</u>

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423R or 432F of the Code of Iowa:

	Per \$1,000 of Taxable <u>Valuation</u>	Property Tax <u>Dollars</u>
Debt service levy	1.85316	\$144,952